

**AGENCY FOR INTERNATIONAL DEVELOPMENT
PPC/CDIE/DI REPORT PROCESSING FORM**

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number

497-0357

2. Contract/Grant Number

497-C-00-98-00045-00

3. Publication Date

February 2001

4. Document Title/Translated Title

Reflections on Corruption in Indonesia

5. Author (s)

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- 2.
- 3.

6. Contributing Organization (s)

Nathan/Checchi Joint Venture/PEG Project

7. Pagination

21

8. Report Number

PEG 29

9. Sponsoring A.I.D. Office

ECG, USAID/Jakarta

10. Abstract (optional - 250 word limit)

11. Subject Keywords (optional)

- | | |
|-----------------|---------------------|
| 1. Indonesia | 4. Decentralization |
| 2. Corruption | 5. |
| 3. Rent seeking | 6. |

12. Supplementary Notes

13. Submitting Official

C. Stuart Callison, Chief of Party

14. Telephone Number

011-62-21-520-1047

15. Today's Date

4 September 2001

.....DO NOT write below this line.....

16. DOCID

17. Document Disposition

DOCRD [] INV [] DUPLICATE []

Reflections on Corruption in Indonesia

by

Gary Goodpaster*

February 2001

*Just as it is impossible not to taste honey or poison that one may find
at the tip of one's tongue, so it is impossible for one dealing with
government funds not to taste, at least a little bit, of the King's wealth.¹*

Indonesian pundits often say that Indonesia has a “culture of corruption”,² or that Indonesian society is permissive and tolerates corruption. Proposals to establish a social norm that condemns corruption usually follow.³ These claims are efforts to explain why there is widespread, endemic corruption in Indonesia and why it persists over generations notwithstanding general notice and constant condemnation. Sadly, cultural explanations are often “that’s just the way it is” explanations. Even if in some sense correct, there’s not much explanation there. Cultural explanations also call for cultural remedies, such as education of children, whose efficacy one may doubt for the world of adults.⁴

We need a real analysis, something that generalized cultural explanations do not provide, to understand how corrupt activities enter people’s lives, what it does for them, and why they would tolerate it, given public condemnation. We must also begin by recognizing that what we call corruption serves legitimate human needs; it solves problems of making a living and getting ahead; and, depending on the circumstances, there may be impelling incentives for people to act corruptly. We need to understand how that occurs and why it is so difficult to do anything about it.

Corruption, collusion, and nepotism (corruption for short),⁵ are natural, not aberrational, behaviors. Consider the countries and governments of the world and their histo-

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¹ Kautilya, The Arthashastra, quoted in World Bank, The Quality of Growth 135 (Oxford University Press, 2000)

² Indonesia’s first vice president, Mohammad Hatta, said this a long time ago, but it is often repeated. Most recently, T. Mulya Lubis, a prominent Indonesian lawyer and reformer, said the same in a speech in Washington, D.C., to the United States-Indonesia Society. USINDO Brief, USINDO@aol.com, January 18, 2001.

³ New interpretation of laws sought to fight corruption, Jakarta Post, Jan 30, 2001, p. 2, col. 8.

⁴ Education may teach people rules and how to talk about them, but such rules and talk rarely override contextual learning from peers regarding the necessities and practicalities of getting along in the world.

⁵ Collusion is just cooperation for gain given a negative cast. It is very common, as noted by Adam Smith two centuries ago: “People of the same trade seldom meet together, even for merriment and

ries, and you will conclude that, at some stage of national development, what we call corruption constitutes a norm of behavior. Much history comprises tales of corruption and nepotism, from the courts of Rome and Byzantium, through the palaces of popes, kings, and renaissance princes, down to the robber barons and Tammany Halls of yesteryear, to the political patronage, backroom deals, mafias, triads, and yakuza of today. By our standards, Elizabethan England⁶ and the late 19th century United States were quite corrupt. Corruption is also widespread in developing states and transition economies – particularly those, like Indonesia, where the state controls much of the economy.⁷ It appears in post-colonial states – there are “states” in Africa that could give lessons to the Devil – and in many of the states formed from the dissolved Soviet empire.

Throughout history, and even today, it is actually the countries and governments that are deemed not corrupt or that cabin corruption successfully that are abnormal. Corruption is the normal, or ordinary, state, and on this proposition, what needs explaining is not corruption, but *moves away* from corruption. History suggests that countries overcome or “graduate” from corruption, learning that it is an evil to fight and conquer. In democracies, the development of democratic voting, effective opposition parties and interest groups, and regulated yet “free” market economies are catalysts in this process. Even graduates, however, do not always completely succeed in eradicating corruption, but rather in confining or limiting it. The recent French and German political corruption scandals and the unseemly story of “money politics” in the United States and most Western developed countries attest the difficulty in wholly exterminating corruption.

What we call corruption is a form of seeking personal gain. It is natural for individuals to seek their own advantage and that of their family members or relatives. If the government controls access to economic opportunities or has large, exploitable resources, I would, of course, approach the government to gain access to them. As long as what I got justified the expenditure I had to make to get it, it would be rational for me to pay, in some way, for that access. From the individual’s point of view, corruption is just securing some gain or advantage, and not unfairly, for others can do what I do. In fact, I am not likely to see how my gain hurts anyone else, except perhaps competitors for the deal. If I don’t receive the gain, then someone else will. As between us, I am at least as deserving, and I would, of course, prefer that I or mine receive it. Once I and people like me secure a productive position, or more grandly, capture the state policy and decision-making appa-

diversion, but the conversation ends in a conspiracy against the public.” As for nepotism, evolutionary theories of the selfish gene and kin selection provide a biological and evolutionary basis for favoring one’s own. Actually, one need only consult one’s own behavior to estimate how natural nepotism is. If required to make a choice between relatives and strangers, most would choose relatives. An example will make the point. In 1997, in the United States, out of 4000 kidney donors, only one gave a kidney to a non-relative. Burnham, Terry & Phelan, *J. Mean Genes* 204 (2000).

⁶ The crown practice of granting monopolies or special privileges in order to obtain revenue or to reward services “reached its climax while Elizabeth was in power. A list of her grants includes patents giving the sole rights to sell or manufacture currants, salt, iron, powder, cards, calf-skins, feels, ouldavies, ox-shin bones, train-oil, lists of cloth, potashes, aniseseed, vinegar, sea-coals, bottles, lead, accidents, oil, calamine-stone, oil-of-blubber, glasses, paper, starch, tin, sulphur, new drapery, dried pilchards, beer, horn, leather, Irish yarn, importation of Spanish wool, and transportation of iron-ordinance.” Miller, *The Case of the Monopolies*, 6 Mich. L. Rev. 1, 2 (1907).

⁷ *Quality of Growth, supra*, n. 1, at 151.

ratus, we will use it to benefit ourselves and ours as much as we can. In the latter case, we will push programs in directions that provide the greatest opportunities for rent seeking.

To say that humans are naturally inclined to corruption is not to say that it is good, nor to claim that nothing can be done about it, nor to preclude judgments about corrupt activities. Claiming that corruption is natural no more endorses it than saying that wars are natural endorses war. Just like other natural human inclinations we would perhaps like to disown, say, for example, the tendency to overeat or inclinations to vice, corrupt behaviors can be brought under conscious control. It takes some learning and discipline, however. The case must be made why corruption is bad for you, or – if you personally profit from it – why it is bad for others and society and why, in the long run, it may be bad for you and yours. To those who make livings corruptly, where many people do so, this is not an easy case to make. Worse, even when made, collective action problems may insure that while all agree in moral concert that corruption is an evil, no substantive remedy entails.

Assuming that humans naturally tend to engage in what we righteously condemn as corrupt behaviors, however, also suggests that moral condemnation alone no more serves to stem corruption than it does the classic human vices or the expression of genuine human needs. It may comprise a gesture of solidarity with the good and the right, but as Bertold Brecht once famously said, “*Erst kommt das Essen, denn die Morale.*” (*Eat first; moralize later.*) Put otherwise, corruption is bound up with making a living for oneself and one’s own, either through corruptly generated income or self-protectively through payments of bribes and corruption taxes to get on with one’s business. People with full bellies and shelter are much more likely to listen to moral arguments than people without, and we cannot disassociate issues of corruption from issues of self-provision. Corruption is primarily an economic and social issue, and only down the line a matter for sermons.

All this said, there are scales and degrees of corruption. Corruption can be narrow or widespread, petty or grand, restricted or free, disorganized or organized. On deeply infiltrating state instruments, corruption works a qualitative change in the way a society is organized and operates. Call this condition “structural” corruption, that is, corruption woven into the fabric of governance, so that governmental powers are co-opted to enable corrupt activities, and into the weave of a society’s social and economic affairs. Corruption can become so insinuated that, like a brain worm,⁸ it takes over its host, or at least some of its functions, for its own purposes. Eradicating structural corruption is immensely difficult because it operates as a governing economic and social system in itself and because so many livelihoods depend on it.

Widespread corruption, such as now exists in Indonesia and some other developing countries, forms a parasitic economic and social system. That is, it comprises adap-

⁸ A brain worm is a parasite that infects ants. Ants, in scavenging, eat a larval form of this tiny creature, which then makes it way to an ant’s basal ganglia. From there it somehow impels ants to climb stalks of grass. Ruminants crop the grass, ingesting the ant and the brain worm, which then goes through another stage of its life cycle in the intestines of the ruminants.

tive and interconnected ways of making a living, certain kinds of incentives, characteristic ways of relating to others, and persistence across generations. It is not a self-sufficient or stand-alone system, but depends on co-existing economic and social systems, for example, on the agricultural economy, on markets or state enterprises, on the self-employed, on small and medium enterprises, on the informal or black economy operating outside, or on the contestable margins of, the law. In Indonesia, corruption interpenetrates these, and other, systems, and lives off of them.

Corruption is, in considerable part, exploitive. That is, many corrupt activities are nonproductive, and the corrupt make their livings rentier fashion by extracting wealth from others. Corruption may involve productive activities, e.g., an overpriced power supply contract, but these are generally priced at greater than market prices – and are exploitive to that degree – or depend on theft, such as illegal logging, or other illegal activity, such as smuggling. Even legitimate business activities, such as some of those the Indonesian military undertakes, while themselves productive, are sometimes intertwined with corrupt activities that are exploitive.⁹

Corruption feeds on poverty and widespread unemployment. Many find those desperate for employment particularly easy to exploit. For example, the systematized illegal gold mining in Kalimantan primarily uses poor migrants from Java and Madura for its workforce.¹⁰ The migrants get startup funds from local businessmen, who then receive half the take. To insure there are no governmental raids on the illegal mines, the businessmen then must pay off local police, the military, and government officials.¹¹

To the degree that corruption joins or creates organized criminality, as occurs in Indonesia, it threatens ominous social system consequences. The example reveals that systematic corruption may require large-scale cooperation. It also shows corruption as black or inverse kind of governance through which government officials protect illegal activities for a price, with their own “take” functioning much like a tax for government services. Finally, note that while productive, illegal mining is extremely costly in adverse environmental consequences, resulting in despoilation, deforestation, and in mercury and cyanide poisoning of streams and rivers. It is also costly in terms of public goods such as governmental authority, rule of law, and accountability. There is a looting lawlessness in all this that is astonishing. There is, however, also an order in the lawlessness, a system of expectations, incentives, and arrangements that creates profit and grants impunity from law.

⁹ For example, in Medan, trucks that have a sticker from a military foundation routinely pass through checkpoints at which money is demanded from truck drivers whose trucks do not carry the sticker. Recently, truck drivers plying the Banda-Aceh road staged a strike to protest illegal levies demanded at between ten to fifteen different checkpoints. One of the drivers spoke out: “We are tired of the levies demanded by officers and hoodlums along the road. Every day we have to spend millions of rupiah to pay these levies.” Truck drivers strike against extortion, *The Jakarta Post*, Saturday, Feb. 2, 2001, p. 2, col. 4.

¹⁰ Anzis Kleden. Illegal miners, transient merchants thrive amid extortion culture, *Indonesian Observer*, November 25, 2000.

¹¹ *Id.*

As detailed below, Indonesians support large, and largely unproductive, rentier and pariah classes. The rentier class forms a kind of aristocracy, basing its position partly on capitalist profits derived from governmentally conferred privileges, and on rents extracted from businesses and from lower classes. The pariah class is composed of hoodlums and lower level officials and police officers who can use their official positions to coerce small payments from many people. There are also shadowy ties between these classes, with the former often employing the latter for various dark purposes.

As an economic system, what is good about corruption is that it provides livelihoods. To a certain degree, because corrupt payments for protection operate like a tax, corruption, in theory, may also serve to dampen certain undesirable activities, but that is an unintentional consequence. Indeed, because corrupt payments often protect what shouldn't be protected, e.g., prostitution or drug trafficking, they may actually encourage them.

What is bad about corruption is that it comprises essentially nonproductive behaviors or behaviors excessively costly to the host. It does not, in economists' terms, use resources efficiently nor incentivize people to engage in productive activities. Studies of the economics of corruption suggest that officials' proclivity to rent seek increases and distorts public investment, as such investment provides rent-seeking opportunities,¹² and causes all sorts of public losses.¹³ In governance terms, it does nothing to provide for the common good and actively detracts from it.

As a social system, corruption appears feudal or colonial in character, with lower ranks supporting the upper. And it seems particularly adapted to strongly stratified societies in which the state asserts a commanding role in economic life. Interestingly, it also seems to thrive in situations in which, like Russia, the central state becomes enfeebled and loses the authority it once had. Indonesia falls into *all* of these categories.

A Highlight Tour of Rent Seeking in Indonesia

Ordinary Rent Seeking

As Indonesian basic salaries are quite low, workers welcome any additional increment of income. Many Indonesians hold several jobs and most are on a constant lookout for additional sources of income. This is true even of government employees, a fact that often surprises foreigners who assume that government employees are already paid to provide government services. Indonesia's bureaucracies, however, have been an employment sink for the country, and they are notoriously overstaffed. Low salaries accommodate these large numbers and explain some of their work habits. There is a common saying that Indonesian government employees are paid a salary to show up, not to work. These employees expect that if they are assigned special tasks, then there will be additional remuneration to carry out those tasks. This creates a certain kind of entrepre-

¹² Quality of Growth, *supra*, n. 1, at 145.

¹³ Mauro, Paolo, Why Worry About Corruption 6-7 (1997)

neuralism in government offices. Projects, and assignments to projects, are prized because there will be a payment, beyond the basic salary, associated with the work.

More broadly, there is an expectation that if anyone provides a service, there will be some payment for it. This is something like the custom of tipping, but has an even more mandatory character. The delivery man who wrestles the new refrigerator up to your flat, although a paid employee, nonetheless expects some additional money for the service. Speakers, presenters, moderators, organizers, and news reporters at conferences expect, and routinely receive, payments. Indeed, when, as sometimes happens, a foreign speaker rejects the “fee”, there is befuddlement and consternation on the part of the organizers; they have no procedures for dealing with a refusal to take a payment. In fact, as the organizers usually get a percentage of what is paid out, it is in their own interest to insure that the participants receive their fees. It is also customary to offer attendees at conferences a “transportation fee” and even an “attendance fee”, in addition to free meals. These fees are usually small, but they evidence the basic attitude. If someone does something at your request, you are expected to pay something for it. And if you are a government official, you are expected to have access to, and provide, information and services that a citizen wants if he is willing to pay.

In this transactional economy, these service payments to government officials may or may not count as corruption, depending on the degree of organized “farming” involved, as I will clarify below. If corruption is defined as the abuse of public power for private gain, then the “transaction fees and payments” charged and offered primarily reflect a dysfunctionally incentivized administrative structure. In this structure, the economic incentives of public employees are to guard access to public information and services and to deliver them only in exchange for payment of a fee. In a sense, the ordinary functions of government have been quietly “privatized” in what we would think of as perverse ways. This comprises a certain kind of economy and a widely accepted way of making a living. Nonetheless these practices are quite close to what we think of as corruption. Indeed, close enough that it is easy to cross the admittedly indistinct line.

What, really, is the difference between a government employee that expects an extra payment for participating in an assigned project and a police officer who expects payment for providing “protection” to a business? The difference lies in what is “privatized” and in what we define as an abuse of public power. The abuse lies not in providing information and service or work for a fee, but in the deliberate distortion, or avoidance, of laws, rules and lawful procedures in order to secure a private gain. It also lies in appropriating the state’s monopoly of coercive power for private purposes. For example, to get a passport or driver’s license renewal, a citizen may have to make a payment, beyond posted fees, to expedite the renewal. But when a policeman shakes down a private citizen, threatening to use his power of arrest or citation unless a bribe is paid, the policeman enlists the coercive authority of the state to extract a gain. Law “enforcement” becomes an unauthorized toll gate. The policeman provides no lawful service of any kind, but rather victimizes citizens at will and as arbitrarily as he wishes.

Corrupt Rent Seeking

We cannot, however, classify all low and mid-level bureaucratic rent seeking as petty and as signifying only administrative dysfunctionality. For example, many positions in the bureaucracy are bought and sold. They are marketed because they are income generating, and the purchase of a position creates incentives to extract more rents and extract them systematically, what I call “farming”.

[The positions] include the more desirable positions for traffic police, customs and immigration officials, and court clerks. Junior officials must pay their superiors a quota from their earnings to secure these spots. Any money raised by taking bribes from members of the public over and above their agreed quotas they keep. Those who fail to meet their quota are moved on in favor of those who can.¹⁴

This practice is also an example of a payment hierarchy or pyramid, something that seems common and that offers a glimpse of the organized character of predation. It is also clear, as noted below, that there is a substantial amount of leakage in departmental and state enterprise budgets, particularly development budgets, and that many rivulets of cash divert to eagerly cupped hands, then to be used for private purposes.

Outside the gloomy halls and offices of many state bureaucracies where the underemployed wait, government officials interacting with citizens on the street abuse their authority to engage in petty illegalities that impose additional regressive predation taxes on the producing populace.

Poor villagers in West Java were baffled when their government rice supply suddenly dried up. Suppliers complained that their payment was 60 million rupiah (\$6300) in arrears. But villagers were adamant that they had paid the bills, the Jakarta Post reported. It was discovered that one local official had collected money from 4,000 poor families and used it to build himself a house. Another village chief spent the money he was handling on a car. A third financed a wedding party. A fourth financed a second wife for himself. Investigators found that there was one village chief who had used the money to buy rice, as he should have done. But instead of distributing it to the needy villagers, he handed it out free to electors to win power for himself. ‘Oddly, none of these officials has been prosecuted,’ the newspaper reported. An article on the same page of the same newspaper reports that a survey revealed 12,000 malnourished children in the central area of Java alone¹⁵

Consider also the case of weigh stations or bridges. A major reason for the establishment of weigh stations throughout the provinces is to prevent road damage from overloaded trucks. Ironically, weigh stations insure the opposite. This is because Department

¹⁴ Backman, Michael, *Asian Eclipse: Exposing the Dark Side of Business in Asia* 31 (John Wiley & Sons, 1999)

¹⁵ Nury Vittachi, *Travellers' Tales*, Far Eastern Economic Review 96 (Dec. 7, 2000).

of Transport officers openly misuse the weighbridges, forcing drivers to stop for the extraction of illegal payments. To compensate for these and other illegal payments the police require, driver and traders must overload to ensure adequate margins.¹⁶ There are many other examples of similar rackets involving illegal taxes and charges on the movement of agricultural goods. For example, interviews with farmers, truck drivers, traders and shippers in South Sulawesi reveal that officers ranging from the air/sea police, customs, port authorities, the forestry department, and local police officers collect these levies.¹⁷

Grand Rent Seeking

Many people, within and without Indonesia, when reflecting on Indonesian corruption, immediately think of the grand scale corruption that Suharto and his chosen ones represented. Such corruption involved the conferral of special economic privileges on Suharto family members and favored associates. These granted monopolies, inflated government contracts and leases; and allowed access to departmental off budget slush funds. They also permitted misdirection and misuse of state enterprise and reforestation and social insurance funds; mandated bank lending to the favored and well connected, in violation of prudent lending rules; and authorized diversion of development funds to personal uses. Suharto also apparently encouraged ministers to enjoy the largesse; or, *noblesse oblige*, looking smilingly aside when they did.

A World Bank report stated that approximately 20-30% of development aid was stolen or “diverted through informal payments to GOI staff and politicians.... Most GOI

¹⁶ When there are no weighbridges on the planned route, drivers tend to reduce their load. However, drivers rarely do so. For a province with a relatively small population, South Sulawesi has a large number of weigh stations. For example, on the road from the northern part of the province, Kabupaten Luwu Utara, to Makassar (the capital in the south) there are 6 weigh stations, including two that are less than 25 km apart (i.e. in the town of Datae in the Kabupaten Sidrap and in Lumpue near the port of Pare-Pare). The amount each truck must pay is between Rp 5,000 - 20,000, depending on the amount of excess weight.

Provincial Department of Transport offices establish maximum truck weight capacities in ways ensuring that all product transport vehicles are overweight. For example, six wheeled vehicles with a 6-7 ton capacity have a 4-ton limit, 12-13 ton capacity vehicles have an 8-ton limit. Drivers insist that transporting at, or under, the maximum tonnage allowed is extremely uneconomic. Of course, drivers do not abide by the limits even though, under regulations, any transport vehicle found at a weigh station to be overweight supposedly must be unloaded. This never happens. Drivers know that while in violation of the load limits, they can pay to avoid a citation and be on their way.

¹⁷ For example, from the rice producing area of Sidrap to the port town of Pare-Pare (approximately one hour by road) there are usually 2 police posts where payments must be made. Further payment to the police is required for entry into the port of Pare-Pare. Each post requires payment of between Rp 3000-5000 (although some drivers complain that demands are often for larger amounts). From Sidrap to the provincial capital, Makassar (approximately 4 hours to the south) there are seven police posts, as well as three weighbridges. Drivers and traders transporting cattle from Bone (on the east coast of the peninsula) to Makassar reported that the 5-hour trip might involve the payment of around 20 illegal charges. Traders typically estimate the largest expected loss from these charges and pass these losses on to farmers in the form of lower prices. Field trip to South Sulawesi, April 2000: David Ray and Rahim Darma, see Ray and Darma (2000). Report on file at the Partnership for Economic Growth Central Office, Jakarta, Indonesia.

agencies have sophisticated informal systems for diversion of 10-20 per cent of the development budget under their management and for utilizing the proceeds diverted to supplement both their inadequate operations funds and their compensation.”¹⁸

Recent audits of Pertamina, the state oil and gas company, and Bulog, the state grain agency, disclosed massive “inefficiencies” and corruption, much of that due to corrupt contracting practices. A Price Waterhouse Coopers audit of Pertamina, completed in mid-1999, reported losses of US \$ 6.1 billion over the two-year period between April 1996 and May 1998.¹⁹ Similarly, an Arthur Andersen audit of Bulog found corruption losses of US\$ 2 billion over the four-year period between April 1993 and the end of March 1998.²⁰

Note, however, that while certain individuals, the aristocracy of the corrupt, profited handsomely from grand corruption, there is more to it than that. The rule, “follow the money”, is a tool we can use to give us some insight into the real economy of corruption in Indonesia. Consider the Bank Bali scandal.²¹ This involved the transfer of approximately \$80 million out of \$123 million owed to Bank Bali – under a government guarantee scheme on interbank debt – to a private company as a fee for “assistance” in collecting on the guarantee. The scandal was first disclosed in the midst of a national election campaign. It was alleged that the money was to be used as a slush fund for Golkar party election campaign activities, and that President Habibie and his lieutenants were deeply involved.

One enlightening result of the audit, however, was the disclosure that the \$80 million was distributed to an extraordinary number of businesses and private parties.²² While it is difficult to discern exactly what the distributions were for, not all, perhaps not even most, appear to have been intended for political purposes. What the Bank Bali funds flow chart shows is an immense network of corrupt payments and associations beneath the surface of a single grand corruption scheme. There are evidently large payoff pyramids associated with grand corruptions, pyramids apparently the inverse of those noted concerning rent farming in bureaucracies. There money flows up; here down. In either direction of flow, however, the flows implicate many people. We can now sense an unseen Indonesian economy organized as a web of corruption networks, networks that are perhaps more than just distribution systems. The payments, particularly those downward, must buy *something*; and networks useful for one purpose may be useful for another.

While I have used examples from the New Order era, there are many allegations that not only has grand and mid-level corruption continued, but that it is worse than

¹⁸ Quoted in Schwartz, Adam, *A Nation in Waiting*, p. 316 (1999).

¹⁹ Pertamina Stabbed by Audit Documents, GATRA 36/V, July 24, 1999. The Indonesian government later revised this figure downward.

²⁰ www.suarapembaruan.com/News/1999/10/111099/Headline/h103/h103.html.

²¹ An excellent description and chronology of the Bank Bali scandal can be found at <http://www.tempo.co.id/harian/fokus/16/2,1,4,id.html>.

²² A chart of the funds flows can be found at: http://www.thejakartapost.com/bbscandal_lf_fundsflows.asp

ever.²³ Habit, opportunities for those new to the feeding chain, and money politics are reasons. The breakdown of authoritarian rule, which in some sense controlled and directed these corruptions, is another. I consider these matters below.

Judicial and Legal System Corruption

It is widely accepted in Indonesia that the judiciary is largely corrupt,²⁴ that there are many corrupt lawyers willing to pay for decisions, and that there is serious corruption among Indonesia's prosecutors and police as well.

Indonesians have a very low level of confidence in the integrity and competence of their judicial system. Corruption is rampant, decisions can be purchased, the courts are subject to political interference, and legal transparency is inadequate. In many legal cases, plaintiffs are not seeking justice, but rather are using the judicial system as a mechanism through which to extort third parties. Such problems are by no means limited to the judicial system: they also extend to the legal profession, the attorney general's office, administrative agencies and, especially, the police force.²⁵

The corruption of so many actors in the legal system means that it cannot serve as a proper tool of governance nor as a just means of dispute resolution. Those who would bribe their way out of a legal problem have many gatekeepers to approach. Police, prosecutors, lawyers, and several layers of judges can each dispose of or divert cases. If one doesn't, another may.

Corruption in the legal system eviscerates Indonesia's reform efforts because the system by and large cannot be trusted – indeed, cannot be used – to render honest decisions, but may be trusted to protect corrupt activities. The cost to Indonesia of a corrupt legal system is incalculable. Aside from loss of governance capacity and social disaffection because people cannot use it to remedy real problems, there are clear economic losses. Donors, creditors, and potential foreign investors look upon the system with immense frustration, particularly at blatant fraud practiced in the courts.²⁶ Indonesia's current foreign investment is negligible, something that limits its ability to grow economically. While political instability is asserted to be a principal reason, investors also point in

²³ “Di sisi lain, praktek korupsi yang menjadi penyebab ambruknya perekonomian hingga saat ini tidak ada yang diusut secara tuntas. Bahkan, praktek korupsi itu kembali terulang dalam pemerintahan Gus Dur dalam skala dan kualitas yang makin tersistem. ‘Kronisme kini merebak di seluruh jajaran kabinet. Dan kantor kepresidenan agaknya mulai berubah menjadi bursa KKN,’ tandasnya.” <http://www.suarapembaruan.com/News/2000/10/23/Utama/ut01/ut01.html>. Politik Uang di DPR Makin Marak, http://www.hukumonline.com/cetak_artikel.asp?code=1733&artikel=berita.

²⁴ Ruler's Law, The Report of the International Commission of Jurists Mission to Indonesia 24 (April 1999); T. Mulya Lubis, ‘The Rechtsstaat and Human Rights’ in T. Lindsey (ed.), *Indonesia, Law and Society* 181 (Federation Press, 1999).

²⁵ Transforming The Legal System: From Rulers' law to Rule-of-law, Van Zorge Report on Indonesia, Vol. I, No. 28, at 4.

²⁶ In at least two cases, fraudulent creditors have appeared in Indonesian bankruptcy composition proceedings to defeat claims of legitimate creditors. For a description of the scam, see .

horror at the legal system because they know that, under current conditions, they have no security of investment whatsoever. Worse yet, they have come to realize that if they do invest, they may be subject to arrest on the complaint of a fraudulent debtor who has probably paid off the police.²⁷

Police, Military, and Related Corruption

The police, trustworthy confidential sources say, engage in three levels of organized corruption. There is a large-scale protection racket where police provide protection to paying businesses. The protection may be from police predation or security from payment demands from other groups and may also include services in labor disputes. There is also street level corruption, the extortion of money from ordinary citizens through threats of arrest or citation. The police also require payments when someone seeks to file a police report, such as for the theft of a car. Police know that insurers' demand police reports before paying any theft claims, and they are able to charge substantial "filing" fees in such cases. Then there is the purchase of positions within the police force itself. To become a policeman requires the payment of two years' salary up front. The rookie expects to recoup this payment within six months of employment. Higher-level offices are sold, and offer extraordinary opportunities for gain. The 4.5 million rupiah monthly salary that police generals earn doesn't adequately explain the mansions and fleets of luxury cars that some police generals own. Finally, as noted, this is all well organized, and there is a payoff pyramid in police departments which is enforced through designation of some officer, a "hard plant" or quartermaster, to collect and distribute payments.

Where the *raison d'être* for the police force is money-making and the collection of rents, there is no public order and safety mission. Ordinary Indonesians understand this quite well and openly state that they hate the police, viewing them primarily as criminal forces preying on members of the public. Storeowners and traders, bus and bajai drivers, owners of nightclubs and discotheques all must pay protection money to the police. If anyone needs convincing, the police can send thugs to demonstrate what it is like not to pay protection. Jakarta newspapers often report such "visits" by mysterious and unnamed groups, visits sometimes resulting in substantial property damage.

The Indonesian military, although alleged to engage in similar practices, is also a more difficult case. It operates many businesses, legal and illegal. The justification for its business empire has been the state's notorious underfunding of the military. The income the military derives from its businesses and foundations, however, is off budget. No outside observer has a good idea of how much money the military takes in, nor exactly how it is distributed. A large part of it appears to go to military personnel, with commanders commanding a large portion of that.²⁸ The military also has close but shadowy connections with many Indonesian conglomerates. There is apparently some cross-shareholding

²⁷ Indonesian Stake Leads to Legal Mess for Canadian Insurer, Wall Street Journal, Dec. 6, 2000.

²⁸ Indonesia's Army: Friend or Foe?, Van Zorge Report on Indonesia, Vol. II, No.16, at 7.

in enterprises, and conglomerates in the past, at least, have allegedly provided funds for some of the military's blacker operations.²⁹

Without denying the military's need for resources beyond those provided by the state, the secret control of immense resources, derived from sources legal and illegal, without accountability for their use, is a structure for mafia-like corruption. There are, for example, allegations that the military has used its resources to fund the violence in the Maluku islands.³⁰ There are also allegations that the military has extensive arrangements with wealthy businessmen, under which the military provides "low-cost military manpower and equipment, threats and intimidation of business competitors, eviction of smallholders from land, and beatings and murder of those who might threaten the system."³¹

Premanism, or local gangster, mafia-like activities are an associated phenomenon. Preman gangs charge businesses monthly fees to insure there won't be any "disturbances" that interrupt business operations. Of course, since the preman gangs themselves are the source of these disturbances, these guarantees are effective. Such gangs also appear prevalent at certain markets and transportation terminals, charging storeowners, kaki lima, and bajai and taxi drivers fees for operating from the area. One example from Medan shows the extent and seriousness of the preman problem. On August 21, 2000, 17,000 local transportation drivers called a strike to protest preman activities. Drivers stated that they had to pay premans 5000 rupiah each day or suffer vehicle damage, and demanded police action.³² Protest actions like this are not uncommon.³³ Preman gangs, of course, can operate where police forces are either not effective or choose not to be effective. There is also evidence that in some places, preman gangs are in league with members of police forces,³⁴ and that preman are hired to undertake demonstrations and violent mass actions.³⁵ There may be military involvement as well, and certainly there are payoff pyramids.

Aside from the monetary losses the rent seeking imposes on the populace, and note that the "protection tax" is highly regressive as far as the poor are concerned, there are additional and immeasurable social and monetary losses. These arise from the failure of the police to do what police and armed forces are supposed to do – provide security, safety, order, and defense – as well as the active doing of what they are *not* supposed to do. For we must add to this already scandalous story the illegal activities that these forces either protect or undertake themselves: drugs, prostitution, gambling, illegal logging and mining, smuggling, and the like. Leaving aside the vice crimes and social costs attributable to them, and focusing just on material losses, the illegal logging and mining cause

²⁹ Aditjondro, George, *Financing Human Rights Abuses in Indonesia*, <http://www.koteka.net.part2.htm>.

³⁰ Indonesia's Army, *supra*, n. 28. *id.*

³¹ *Id.*

³² *17.000 Armada Angkot di Medan Mogok Total*, Kompas, 22 Agustus 2000.

³³ *Tanahabang, "Emang Abang Yang Punye"?*, Kompas, 29 Juni 2000.

³⁴ *Pemicu Bentrokan Preman di Blok M diduga Oknum Polisi dan TNI*, Kompas, 15 Nov. 2000; *Pungutan Preman Palembang Mengganas*, Kompas, 8 Februari 2000.

³⁵ *Political Gangsters*, 53 Inside Indonesia.(Jan.-March, 1998)

direct theft losses to the state and its people through the destruction of natural capital and also greatly increase the rate of natural resource depletion. The smuggling, of goods such as subsidized kerosene and gasoline, to places like Singapore, diverts and appropriates the subsidy intended to help ordinary people. Police and military involvement in illegal logging, mining, and smuggling also results in a larger web of corruption. It entails either “hush” or “facilitation” payments to bureaucrats, inspectors, and local officials or threats of violence, or actual violence, for interference or disclosure.

Money Politics

Money politics is a term used to describe the purchase of political favors or influence. It is a problem in all countries, even the most robust democracies, and reform efforts directed at money politics only cabin, rather than eliminate, it. There is a question of what part of money politics we should classify as a form of corruption. Of course there are degrees. Paying money for a legislative vote or to buy a governmental office is one thing, donating to a political campaign another. Although it is a complicated issue, “ordinary” money politics, I think, should not count as corruption. Politics is about power, gaining it and using it. We can no more separate money from politics than we can separate stargazing from stars. By “ordinary” money politics, I mean the use of money to support particular candidates or particular parties. Abnormal money politics would include using money to buy votes or offices, under the table transactions to procure governmental decisions, and the like.

While Indonesia has a mostly “democratically” elected national legislature, it is not yet a democracy where ordinary citizen opinions matter much, nor where officeholders are meaningfully accountable to citizens. Those who hold political power now did not gain it by offering platforms that citizens endorsed by voting. At the national level, elections to high office are indirect, as people vote for parties rather than individuals. This essentially means that the parties control seats. If the electorate votes for a party rather than for an individual, anyone wanting a seat can simply pay the party to designate him as the elected official, and that appears to have happened. In addition, no party in the national legislature holds an absolute majority, and every decisive action requires the building of coalitions, and coalitions are as readily built, perhaps more readily, with money as with ideology or shared interests.

In this way, the nature of money politics in Indonesia is closely tied to its electoral system, and there is a lot of “money politics” going on. In fact, if one draws inferences from various clues that surface from time to time, and credits allegations and rumors, Indonesian politics is fundamentally money politics of the worst kind. People, offices, and votes are bought and sold.

For those in power, and those who seek power, access to sources of money to play deadly serious political power games is an absolute necessity, and those who have money use it skillfully to defend their interests. It is also clear that Indonesian political parties use every avenue they can to obtain funds. Everyone suspects the intense political jockeying around “cash cow” portfolios, such as IBRA, or state enterprises, discloses that par-

ties are looking for fountains of money for present and future political activities and power. The immense foot-dragging of Indonesian officials in debt restructuring and privatization, where vast interests are involved, is perhaps best explained by money politics. There are widespread suspicions that the government's favoritism toward three of its largest debtors,³⁶ expressed through a sweetheart IBRA bailout and decision not to prosecute, is also the result of money politics. In fact, an assumption of payment goes far in explaining a lot of otherwise mysterious, erratic, and puzzling official behavior.

The Redistribution of Corruption: Decentralization

Kinds of Bandits

Mancur Olson, in discussing “governmental” incentives to tax or take assets of subjects, makes a useful distinction between “roving” and “stationary” bandits. Suppose a situation of anarchy in a territory. Warlords moving through it will appropriate whatever they can, wherever they can. Because they steal, and steal all they can, they have no interest in ongoing productive activities. When an area is exhausted of wealth, they will simply move on to other territories and other plundering opportunities. By contrast, where a warlord takes over a territory and stays there, he has an interest in ongoing productive activities and output. He can steal from, or “tax”, the same people on an ongoing basis. Since he has secured his source of revenue, he may even wish to protect the people from other predators. Eventually, his own predation may evolve into something like governmentally provided security, and even into the provision of public goods. After all, as he takes some percentage of the revenue generated in the territory, if the people generate more revenue, he will get more revenue. In other words, his interest in increasing his wealth is allied with the interests of the populace in increasing their wealth. He has what Olson refers to as an “encompassing” interest. (It’s really just a goose-that-laid-the-golden-eggs story with different possible outcomes.)

Suharto was a stationary bandit running a stationary bandit regime. Under Suharto, businesses that bribed or shared wealth to obtain economic opportunities, advantages, or protection did get services in return. They obtained licenses, land and environmental concessions, security of investment, contract enforcement, and assistance in managing labor disputes.

³⁶ “On October 2, the Financial Sector Policy Committee (FSPC) approved major debt restructuring deals between IBRA and five of its top obligors: Texmaco Group (USD 2.1 billion), Tirtamas Majutama (USD 596 million), PT Kiani Kertas (USD 275 million), Sinar Mas Group (Rp 1.2 trillion swap), and Banten Java Persada (Rp 1.4 trillion compensation for return of assets). While some analysts supported the terms of the deals as the best the Government could hope for, others criticized them as expensive bailouts that expose the Government to high levels of contingent risk. The Texmaco and Tirtamas deals are particularly controversial because of the complex holding companies created as vehicles for the Government's equity stakes as well as the deals' generous financial terms. According to press reports, the local IMF and World Bank representatives wrote to the Government shortly after the deals were announced urging that they be reviewed. However, Coordinating Minister Ramli has vigorously defended the terms of the deals.” United States Embassy, Jakarta, Indonesia, Recent Economic Reports: Economic and Financial Highlights – October-November 2000.

The Suharto system of highly centralised rule did not eliminate the uncertainties and indignities suffered by business people trying to invest in the regions. A variety of local officials reporting to different ministries based in the capital oversaw various aspects of the business climate, from the environment to labour affairs to land use and taxation – with regulation often dependent on bribery. Police and military officers were frequently active in the selective prevention – and at times, active instigation – of labour disputes, with labour control bought at a price determined by local commanders and the superiors to whom they owed fealty.

Companies operating without the benefit of good connections in Jakarta would tend to suffer from these forms of irregular and illegal exactions. However, these pay-offs went to local bureaucrats [representatives of the central government], rather than local politicians, and Jakarta's insistence on the encouragement of private investment inculcated a measure of restraint and predictability based around central government interests in increasing the flows of private capital into the provinces.³⁷

With Suharto gone, Indonesia's stationary bandit government is gone, and the territory is open to roving bandits. With fiscal and governmental decentralization, power has flowed to the regions and kabupatens and has created greater opportunities for local corruption through regulatory activity. Their greater independence and a possible "it's our turn now" mentality also encourage predation.

Quasi-democratic politics, the emergence of political parties from rigorous government control, and decentralization have created local contests for influence and power. "[These processes] have politicized all aspects of business operations. Companies must now make under-the-table payments to a considerably broader range of politicians than before" ³⁸ With decentralization, businesses dependent on local government licenses, contracts, and regulation now have shifted "to spreading their money around different parties or else affiliating themselves with one or another party in the local assembly. In this regard, businesspeople operating in real estate, construction, and various criminal activities have become especially prominent" ³⁹

Why Corruption is Hard to End: Collective Choice Problems.

Widespread corruption, in the aggregate, creates collective choice problems. The first is overuse of resources; the second is the free rider problem. When everyone may use a resource freely, the resource will be overused. The individual user, whose percentage of the use of the whole may be small, does not see that cumulatively, if all use as he does, the commons will be overrun – overgrazed if it is cattle land, overfished if it is a fishery, stripped if it is a forest. As should be obvious, there are corruption commons, the

³⁷ Oxford Analytica Asia Pacific Brief, December, 2000; copy on file with author.

³⁸ *Id.*

³⁹ *Id.*

public fisc, the lower classes, and a country's natural resources, that are all grossly over-used. The threat of overuse, of course, entails commons collapse. In this respect, Indonesia's 1998 financial crisis and sharp economic decline evidence just that kind of event. Many, perhaps most, of Indonesia's banks siphoned off bank liquidity credits, freely granted by Bank Indonesia to try to weather the crisis, in corrupt ways. This, along with other factors, resulted in a collapse of the Indonesian banking system, a catastrophe from which Indonesia has yet to recover.

Corruption also presents a free rider problem. Aside from whatever changes hands, there are passed-on costs of corruption that someone pays, but those who gain are not among the payers. In a normal case of high-level corruption – overinflated construction contracts, money siphoned from state enterprises – the population at large pays through loss or diversion of revenues or resources or through higher taxes. No one suffers a loss in any clear, direct way, and the small losses allocable to everyone are not sufficient to cause large numbers of people to organize and unite to fight them. In the case of street level corruption, those victimized pay directly and suffer a lower standard of living through what amounts to a highly regressive tax.⁴⁰ But street level corruption victimizes classes of people whose response is typically silent rage and suffering, not organized resistance.

There are also large, but intangible or unquantifiable costs – such as loss of governmental authority and legitimacy, absence of rule of law, misallocation of talent, and abuse of citizens. Those involved in corruption, of course, gain far more than their allocable share of any loss, and for practical purposes, can view any loss as entirely passed off to others. In this respect, corruption resembles environmental pollution, another case where individual actors do not internalize costs and do not consider the externalities of their actions.

Anticorruption programs are a common good, but these collective choice problems make the task of remedying or preventing corruption very difficult. Few who profit see the harm in their own behavior, the harms – aside from direct immediate financial losses – are diffuse, sometimes intangible, often difficult to measure. The remedy requires strong governmental commitment and that may require broad societal consensus. This will not arise naturally. “In a really large group, the typical individual receives only a miniscule share of the benefit of an action he or she takes in the group interest. This miniscule share does not typically motivate individuals in a large group to voluntarily act in a way that is consistent with the common interest of the group.”⁴¹ By contrast, it is much easier for small groups to organize and coordinate activities among members. Not only are communication problems much less severe, member shares in any payoff of group success are much greater. The corrupt, as members of various webs and networks, are much more effective in achieving policy and practical goals than the general public or the many unrelated victims of corruption.

⁴⁰ “[P]oor households in Ecuador must spend three times more in bribes as a share of their incomes than higher income households for access to public services....” *Quality of Growth*, *supra*, n. 1, at 146.

⁴¹ Olson, Mancur, *Power and Prosperity* 77 (2000).

Because the individual share of benefits from collective action is so small, voluntary collective action almost always fails in large groups. Small groups, however, are successful and have powerful incentives to undertake collective action – here, to prevent anticorruption efforts from reaching them. To these insights, we can add another important reason for the failure of the victims of Indonesian corruption to act. The Indonesian military, the police, government officials, the judiciary, and preman *enforce* structural corruption in Indonesia. Directly or indirectly, through threats, violence, buy-offs, coverups, they protect the system through which they make their livelihoods.

Remedying Corruption in Indonesia

Corruption on Indonesia's scale is immensely costly to the country and society. There are enormous economic efficiency losses and huge costs arising from misallocation of resources. There are competitiveness costs, as corruption is a principal reason for Indonesia's notoriously high transactions costs economy. There are large lost opportunity costs from all the investors, both domestic and foreign, that withdraw or forego investing in Indonesia because of corruption and its associations. I have already noted the immense, but unquantifiable costs in individual and societal well being and losses in the provision of public goods.

Only Indonesians themselves can overcome the corruption in their economic, political, and social systems. At present, except for some NGOs and limited public outcry, ending corruption is not truly a priority issue in Indonesia. Aside from serious collective choice problems, the lack of clarity in what an anticorruption campaign would do and how far back it might reach may have something to do with this. Even reformed sinners would not relish jail time, nor, no matter how repentant, loss of wealth and reputation.

Powerful vested interests and networks of corruption beneficiaries that profit from the status quo continue to foil anticorruption efforts. While anticorruption advocates have made the moral case against corruption, no one in Indonesia has deeply investigated and explained the economics of corruption, nor exposed in any thorough and convincing way its social and political costs. Nor have corruption studies focused sufficiently on the future consequences of continued corruption, the intergenerational losses and costs: the destruction of Indonesia's commons, the plundering of resources, the environmental losses and illnesses. For today's currently costly economy of corruption is also a spendthrift economy destroying many of tomorrow's livelihoods and lives.

Only Indonesians can overcome corruption in Indonesia. They will do so if persuaded that they must. Careful studies exposing in detail the systems, networks, and social and economic costs of corruption are essential tools in the anticorruption campaign. Will, as Bhudda noted, attends knowledge.

Study and persuasion is not all there is to be done, however. Recent influential stances on corruption view it as a governance problem,⁴² and, indeed, the good governance program is part of the donor prescription for Indonesia. The program calls for key reforms.⁴³ These include enhancing competition in the economy through demonopolization and deregulation; and promoting the accountability of political leadership through public disclosure and transparency rules. It also includes creating merit-based and service oriented public administration, transparency and accountability in public expenditure management, and promoting the rule of law.

While most would agree that these are excellent and essential reforms, they have proven controversial, primarily because they assertedly ignore the realities of politics. Some critics believe that those who champion the good governance program, primarily the World Bank and the Asian Development Bank, import world views that do not fit the needs and realities of developing countries. For example, Jayasuriya, in this volume, asserts that the new paradigm for development donors is toward enhancing the regulatory capacity of the state. This entails that the state should not itself seek to conduct the economy, but instead create a set of regulatory institutions that facilitate the creation and proper operation of the market.

Economic constitutionalism...refers to the attempt to treat the market as a constitutional order with its own rules, procedures, and institutions operating to protect market order from political interference. However, these forms of economic constitutionalism demand the construction of a specific kind of state organization and structure: a *regulatory state*, the purpose of which is to safeguard market order.⁴⁴

Jayasuriya critiques the new paradigm for seeking to insulate the market from politics. Dick, also in this volume, agrees.⁴⁵ Both believe that it is not possible to separate markets or economic reform from existing constellations of powers and interests that shape politics.

To be successful, economic reform needs to have the political support of a significant group of actors. Reform strikes at the heart of deeply entrenched political and economic interests; therefore, to be successful a programme of economic reform must galvanize its own political support. From this perspective, economic reform is not merely a technical exercise to implement the “right” policies, but a political project undertaken by the

⁴² Quality of Growth, *supra*, n. 1, at 135-168; Asian Development Bank, Good Governance and AntiCorruption: the Road Forward for Indonesia, paper presented at the Eight Meeting of the Consultative Group on Indonesia (Paris, July 27-28 1999).

⁴³ Quality of Growth, *supra*, n.1, at 152-159.

⁴⁴ Jayasuriya, Kanishka, Governance, Post Washington Consensus and The New Anti Politics

⁴⁵ [Development theorists and policymakers] have maintained ...that economic and *institutional* development will proceed best in the absence of (messy and disruptive) politics. Dick, Howard, Corruption and Good Governance, the New Frontier in Social Engineering.

putative winners of the reform process. For this reason, market transformation is likely to be a deeply contested and prolonged process.⁴⁶

As I have argued, corruption in Indonesia *is* a governance problem because Indonesian corruption is intimately bound up with Indonesian governance. It is also true, as the critics of the governance paradigm have it, that you cannot insulate the politics of markets and the economy from politics. However, *sometimes something* causes reform politics to grapple seriously with corruption: we have evidence that countries can grow or evolve away from thoroughgoing and systematic corruption. The United States, for example, did it over a period of about 50 years, roughly between 1870 and 1920.

All things that evolve, evolve because of variation and what the evolutionary theorists call “selection pressure”. The environment in which the creature lives, and that includes other creatures that prey on it and on which it preys, favors some particular variation over another. Not intentionally, of course; that’s just the way it turns out. The moth that happens to have better camouflage, that looks like tree bark when it lands on a tree, will more likely escape bird predators and reproduce. These moths will reproduce successfully, compared to others, even of the same species, and, as long as the trees on which they hide remain the same, and as long as their predators do not evolve better detectors, they will survive and prosper.

At present, money politics and all it entails in the worst sense, and corrupt ways of making livelihoods dominate the Indonesian environment. Survival in this environment appears to require playing the political game as it is played, as a deadly serious power game, or gladiatorial contest, where money is the primary weapon to wield. Outside the political game, survival requires doing whatever is necessary to make, or protect, a living, and corrupt activities are an accepted way to do that.

If these observations are correct, it is a mistake to view the “good governance” paradigm as an effort to evade politics. Indonesian corruption *is* a matter of governance, and there is no way to address grand and petty corruption, and all intermediate forms, without engaging politics and political actors. If donors, in promoting the good governance paradigm, think that they can elude politics and insulate the economic realm from it, they are clearly wrong. But I do not believe they hold these views, and have other failings. The donor failures are impatience, short-term time frames, and inability to stay the course.

The donor demand for good governance, the negotiated letters of intent, the reviews, the granting or withholding of tranches dependent on the fulfillment of promises, creates a substantial *selection pressure* in the Indonesian environment: it changes it. Donors say: do this. Indonesia agrees that it will in order to get donor money. Indonesia does not fulfill its promises, and donors say, all right, you don’t get the money. Indonesia returns to its reform promises and tasks, and eventually complies, rarely completely, but sufficiently to get the tranche.

⁴⁶ *Id.*

The point of the story is that there is movement in the right direction. There may be no stunning conversion, no mass baptisms in the anticorruption faith, but there is change that would not have occurred otherwise. Through continued selection pressure and through changes stimulated in players in the system, donor involvement is part of the political mix. Indonesia may do its politics any way it wants to, but if it wants to take into account the money it needs and the donors are willing to give, *on conditions*, it will change and evolve in the direction of donor desires. One must also remember that there are reformist forces in Indonesia, both outside the government and within, and they are part of Indonesia's developing politics. Donor conditionalities, advice, and good governance ideas support them and help them make gains they would not otherwise make.

Remedying corruption in Indonesia, which ultimately only Indonesians can do, will likely take a long time, perhaps at least a generation.⁴⁷ The worry is not the good governance paradigm or program, but *donor fatigue*, donors giving up after a few years of stalled or stymied efforts. The game is selection pressure, consistent and constant selection pressure over a *long* period of time, not mandates to insulate the economy from politics. Indonesian politics must now take into account what donors are willing to do; as it must take into account whatever selection pressures globalization brings. The latter are considerable indeed. In the long-term, Indonesia will learn and evolve and confront the corruption that seriously damages its economy and polity, holds back its development, and victimizes its people.

Keep the faith.

⁴⁷ Although it is true that some polities, viz., Hong Kong and Singapore, overcame their corruption in relatively short periods of time, they are very different cases involving small, non-democratic jurisdictions and strong, centralized governmental authority. These conditions do not exist in Indonesia.

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